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Hawaii. Public Utilities Commission

H. Gooding Field

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UNIFORM CLASSIFICATION
OF ACCOUNTS

FOR

**TELEPHONE
UTILITIES**

PREScribed BY THE
PUBLIC UTILITIES COMMISSION
OF HAWAII



Printed by
Honolulu Star-Bulletin, Ltd.,
Merchant Street,

UNIFORM CLASSIFICATION
OF ACCOUNTS
FOR
**TELEPHONE
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PUBLIC UTILITIES COMMISSION OF HAWAII.

IN THE MATTER OF THE UNIFORM SYSTEM OF
ACCOUNTS FOR TELEPHONE UTILITIES.

O R D E R .

It is hereby ORDERED, that the Uniform Classification of Accounts for Telephone Utilities as prepared by H. Gooding Field, Esquire, the Auditor of the Commission, and by him submitted under date of April 2nd, 1918, be, and it is hereby adopted by the Commission and prescribed for use from and after May 1st, 1918, by all Telephone Utilities within the Territory of Hawaii; and, further, that from and after said date all such Telephone Utilities shall keep their accounts according to said Classification and, so far as may be, make use of said Classification in all reports required by law to be made to this Commission.

Done at Honolulu this 26th day of March A. D. 1918.

PUBLIC UTILITIES COMMISSION OF HAWAII.

(Sgd.) WILLIAM T. CARDEN,
Chairman.

(Sgd.) A. J. GIGNOUX,
.....
Commissioners.

TELEPHONE CORPORATIONS

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UNIFORM CLASSIFICATION
OF ACCOUNTS
FOR
TELEPHONE COMPANIES
INSTRUCTIONS PERTAINING TO UNIFORM
SYSTEM OF ACCOUNTS FOR TELEPHONE
COMPANIES.

H. GOODING FIELD, Auditor,
Public Utilities Commission of Hawaii.

BALANCE SHEET.

BALANCE SHEET ACCOUNTS DEFINED.

By Balance Sheet accounts are meant those titles (listed under the headings "Asset Accounts" and "Liability Accounts") under which the Ledger accounts are combined and summarized to show the assets, liabilities and deficit or surplus of the business at a given time. Where the title and definition of a balance sheet account clearly indicates that it is a summary of other accounts, it is not required that a special ledger account shall be raised under such a title to include the balance from the accounts usually carried on the ledger.

FIXED CAPITAL.

FIXED CAPITAL DEFINED.

By the fixed capital of a public utility is meant the property, both tangible and intangible, which is devoted to the carrying on of the principal purposes of its business,

and which has an expectation of life in service of more than one year from date of installation in service. (Exception being made in the case of hand tools and other small portable tools that may be lost or stolen).

ASSET ACCOUNTS.

100. FIXED CAPITAL ACCOUNTS.

The fixed capital account balances in the ledger accounts, as enumerated in the Balance Sheet, shall represent the utility's fixed capital which is still in service at the date of the Balance Sheet.

When an property is withdrawn or retired from service, the amount at which it stands charged shall be credited to the account in which it is charged and concurrent debits shall be made (1) to "Cash," "Material and Supplies" or other accounts as may be appropriate, for the value of the salvage; and (2) to account "Reserve for Accrued Depreciation" or account "Reserve for Amortization of Intangible Capital" for the amount of depreciation or other amortization.

200. INTANGIBLE CAPITAL ACCOUNTS.

201. *Franchises and Agreements.*

Charge to this account all fees paid to the government for the privilege of incorporation, and all office and other expenditures incident to organizing the corporation and putting it in readiness to do business. Also the amount (exclusive of any tax or annual charge) actually paid to the Territory, or to a political sub-division thereof, as the consideration for the grant of such franchise or right as is necessary to the conduct of the corporation's telephone operations, and the cost of other intangibles obtained by the corporation and used and useful in its operations.

210. TANGIBLE CAPITAL ACCOUNTS.

211. *Land and Buildings Devoted to Telephone Operations.*

Charge to this account the cost of land (other than right of way) and buildings used in the telephone operations of the corporation and operations incident thereto, and the cost of all permanent fixtures to such buildings. Such cost, as above, includes, when assumed or paid by the utility, cost of registration of title, cost of examination of title, conveyancer's and notary's fees, purchasing agent's commission or fees, or proportion of purchasing agent's salary, taxes accrued to date of transfer of title, and all liens upon the title acquired; also cost of obtaining consents and payments for abutting damages.

The following Sub-accounts should be kept:

- (a) Real Estate.
- (b) Main Office.
- (c) Branch Exchanges.

212. *Switchboard Equipment.*

Charge to this account the cost of local and toll switchboards and appurtenances, main and intermediate frames, relay and coil racks, interior wire and cables, power apparatus, including rectifiers, generators, engines, motors, batteries, meters and fuse boards and other apparatus in the central office devoted to the operation of the telephone plant.

Sub-accounts should be kept covering the necessary classifications.

213. *Conduit, Cable and Overhead System.*

Charge to this account the cost of local right of way, poles, towers, cross arms, brackets, guy wire, guy stubs, and other material used in the overhead system of the cor-

poration; underground conduits, manholes, cables, telephone instruments, and fixtures.

214. *Country Plant, Including Switchboards.*

Charge to this account the cost of *outside* right of way, poles, wires, and other operating fixtures used by the corporation in the conduct of its business in country districts.

215. *Time Clock and Stamp System.*

Charge to this account the cost of Time Clocks, Stamps, Wires and all other fixtures used by the corporation in the conduct of its Time Clock and Stamp operations.

216. *Furniture and Fixtures.*

Charge to this account the cost of all furniture and fixtures used in the offices, operating and terminal rooms and branch exchanges of the corporation.

217. *General Shop Equipment.*

Charge to this account the cost of all equipment specially provided for general shops, such as engines, gas producers, electric generators, and other power apparatus used in operating machinery in such shops; machine tools, shafting, belts, and like shop equipment. Hand and other small portable tools liable to be lost or stolen should not be included herein.*

218. *General Stable and Garage Equipment.*

Charge to this account the cost of all equipment of general stables, including horses, harness, drays, wagons, automobiles and other vehicles; equipment of shoeing shops, harness repair shops, vehicle repair shops, etc.

219. *Tools and Implements.*

Charge to this account the cost of portable testing apparatus and valuable tools and implements devoted to the

*NOTE.—See switchboard equipment.

maintenance or construction of the telephone plant of the corporation.

230. TREASURY SECURITIES.

Charge to this account the *par value* of all stocks and bonds which have been authorized and issued by the corporation or assumed by it and held by the Treasurer or other fiscal agent of the corporation for its benefit. When such securities are sold, their par value shall be credited to this account. Charge also to this account all investments of a permanent nature in tangible or physical property not held for the operation of the plant of the corporation for a telephone system.

The following Sub-accounts should be kept:

- (a) Treasury Stock.
- (b) Treasury Bonds.
- (c) Investments.

240. RESERVE SINKING AND SPECIAL FUND ASSETS.

These accounts should include the amount of cash, the cost or book value of live securities of other companies, and other assets which are in the hands of trustees of sinking and other funds for the purpose of redeeming outstanding obligations. A separate account should be raised for each sinking fund as follows:

- 241. *Sinking Fund for Amortization of Intangible Capital.*
- 242. *Sinking Fund for Accrued Depreciation.*
- 243. *Casualty and Insurance Sinking Fund.*
- 244. *Provident Sinking Fund.*
- 245. *Sinking Fund for Bad Debts.*

250. CURRENT ASSETS.

251. *Cash on Hand.*

Charge to this account the amount of current funds available for use on demand in the hands of financial officers and agents.

252. *Cash on Deposit.*

Charge to this account the amount of current funds deposited in banks or with Trust Companies, or special deposits to pay declared dividends or matured interest; special deposits other than in sinking funds for the payment of debts and interest, not matured; also money and securities deposited to secure the performance of contracts, and other deposits of a special nature not provided for elsewhere.

253. *Materials and Supplies.*

This account should include the cost of unapplied material, including the value of material temporarily in use, and not charged out in the company's accounts; articles in process of manufacture by the company; fuel, stationery and other supplies. Freight and express charges paid on material included in this account should be included in the value of such material.

Inventories of materials and supplies on hand and unapplied should be taken at least annually.

254. *Notes and Bills Receivable.*

Charge to this account the cost of all collectible obligations in the form of money receivable *on demand or within a time not exceeding one year*. This does not include interest coupons. *Time loans that mature more than one year after date of issue shall be considered as investments and shall not be included in this account.*

255. *Miscellaneous Accounts Receivable.*

Charge to this account all amounts owed to the corporation upon accounts with solvent concerns (other than subscribers and agents), also cost of all accounts and claims (except notes and bills receivable) upon which responsibility is acknowledged by solvent concerns or which are sufficiently secured to be considered good, and of all judgments against solvent concerns where the judgment is not appealable or suspended through appeal.*

256. *Interest, Insurance and Rentals Receivable.*

Charge to this account all interest accrued and due and not yet collected upon bonds, notes, or other commercial paper held by or for the benefit of the company; payments in advance of premiums on insurance policies; and for rentals due the corporation from property owned by it other than that held for the operation of the company's plant as a telephone system.

257. *Other Current Assets.*

Charge to this account all current assets which are not includible under any of the foregoing accounts. By current assets are meant only those things that are readily convertible into money and which are held not as investments but with the intent of being presently converted into money.

260. CONSTRUCTION WORK IN PROGRESS.

This account should include the expenditures provided for in the following sub-accounts when such expenditures cannot be satisfactorily allocated to the fixed capital accounts to which they relate. Upon the retirement or withdrawal of any property with respect to which any charge

*NOTE.—Cash on deposit in banks of which Trust Companies should not be included in this account.

is included in this account or any sub-account hereunder, there should be credited to this account or the appropriate sub-account such part of the undistributed expenditures during construction (estimated, if not known,) as may be applicable to the property withdrawn or retired.*

- (a) Engineering and Superintendence.
- (b) Law Expenditures During Construction.
- (c) Taxes During Construction.
- (d) Miscellaneous Construction Expenditures.

270. CORPORATE DEFICIT.

Under this head should be shown the debit balance, if any, in the Corporate Surplus or Deficit account.

LIABILITY ACCOUNTS

150. CAPITAL STOCK.

This account shall include the total par value of outstanding capital stock. In case of the issue of two or more classes of capital stock such as common and preferred, a sub-account shall be provided for each class. If capital stock is paid for in installments, stock to be issued when fully paid, a sub-account entitled "Installments on capital stock" shall be opened, to which shall be credited the amounts of installments received by the company; when stock certificates are issued to stockholders the sub-account shall be charged and the appropriate capital stock sub-account shall be credited.

In stating this account on the Balance Sheet statement the par value of stock held by the company in its treasury, in sinking or other reserve funds, or otherwise, shall be

*NOTE.—This account should not include any costs of organization, or any costs or discounts connected with the issue and disposal of stocks, bonds or other securities, or commercial paper.

deducted, in order that this account shall **show only the** par value of stock held by the public.

155. FUNDED DEBT.

This account shall include the par value of all bonds, mortgages, receiver's certificates, and other evidences of indebtedness issued or assumed by the company *and which are not due and payable until after one year from date of issue*. In case of the issuance of two or more classes of funded debt, a sub-account shall be provided for each class.

In stating this account on the Balance Sheet statement the par value of funded debt issued or assumed by the company and held by it in its treasury, in sinking or other reserve funds, or otherwise, shall be deducted, in order that this account shall show only the par value of funded debt held by the public.

160. CURRENT LIABILITIES.

161. *Notes and Bills Payable.*

This account shall include the par value of all notes, drafts and other evidences of indebtedness issued or assumed by the company, *and which are payable on demand or within one year from date of issue*.

162. *Accounts Payable.*

This account shall include amounts owing to other companies, firms, and individuals and not includible in accounts "Funded Debt" and "Notes and Bills Payable."

163. *Service Billed in Advance.*

When bills are made for telephone service to be furnished in future months and the amount of the bills is included in Accounts Receivable, but not in the revenue ac-

counts, the proportion of the bills applicable to future months shall be credited to this account.

170. ACCRUED LIABILITIES.

171. *Wages Accrued.*

Credit to this account the amounts of wages which have accrued and have been charged to operating expenses in excess of the amounts actually paid. When the payments become due this account shall be charged and the cash or other accounts affected shall be credited.

172. *Coin Box and Other Deposits.*

This account shall include coin box and subscribers' deposits.

173. *Other Credit Accounts.*

This account shall include all credit items pertaining to the balance sheet and not provided for elsewhere, including credit items the final disposition of which is uncertain.

The entries in this account shall be made in sufficient detail to permit an analysis in the reports to the Public Utilities Commission of Hawaii, and where necessary separate sub-accounts shall be provided.

180. RESERVE ACCOUNTS.

181. *Amortization Reserve.*

Credit to this account such amounts as are concurrently charged to the account No. 241, "Sinking Fund for Amortization of Intangible Capital." Charge to this account when any franchise or landed capital expires or is relinquished, the amount at which it stood charged in the utility's accounts or such portion thereof as has been previously credited to this reserve.

182. *Depreciation Reserve.*

Charge to this account such amounts as are concurrently charged to account No. 242, "Sinking Fund for Accrued

Depreciation" to cover the depreciation taking place in buildings, plant and equipment.

Charge to this account, when any plant or equipment is reconstructed or retired, the amount heretofore credited to this account in respect of the property reconstructed or retired.

183. *Casualty and Insurance Reserves.*

This account shall include any specific appropriation of income or surplus and such amounts as are concurrently charged to account No. 243, "Casualty and Insurance Sinking Fund," to cover self-carried risks as fire, fidelity, boiler, casualty, burglary and other self-carried insurance. Charge to this account the proportion of losses realized on items protected by such self-carried insurance.

184. *Provident Fund.*

This account shall include any specific appropriations of income or surplus and such amounts as are charged to account No. 244, "Provident Sinking Fund" to provide for pension, benefit and other provident payments.

This account should also include the ledger balances covering the amount of cash and the cost or book value of securities and other assets in the hands of trustees or managers of employees' pension funds, savings funds, relief, hospital and other association funds (whether contributed by the company, by employees or by others),

NOTE.—Depreciation. The depletion of an asset which represents an investment through the use of that asset in operation creates an item of cost of operation which should be reflected in the accounts when the fact of such depletion takes place, and that a statement of net revenue made without including this element of cost in operation on expenses is an erroneous statement.

A company is not bound to see its property gradually waste, without making provision out of earnings for replacement. **From earnings, the value of the property invested should be kept unimpaired, so that at the end of any given term of years, the original investment remains as it was at the beginning,** and if there has been charged to income a sufficient sum to cover the loss by wear and tear and obsolescence, there is no possibility of the amount thereof being paid out in dividends.

when such trustees or managers are acting for the company in the administration of such funds; also the amount of such funds held in the company's treasury.

185. *Reserve for Bad Debts.*

Credit to this account such accounts as are charged to account No. 245, "Sinking Fund for Bad Debts" as representing the estimated loss in realizing the outstanding Accounts Receivable.

190. CORPORATE SURPLUS.

Under this head should be shown the credit balance, if any, in the Corporate Surplus or Deficit Account.

TEXT EXPLANATORY OF INCOME ACCOUNTS
AND CORPORATE SURPLUS OR DEFICIT AC-
COUNTS FOR TELEPHONE UTILITIES.

INCOME ACCOUNT.

Income Account Defined.

The Income Account brings together those accounts that show the total amount of money that the utility has received or become entitled to receive for services rendered during a given period, the return accruing during the period upon investments, and the disbursements and obligations incurred that affect the disposition of the amount as received or accrued. The following accounts make up the Income Account statement and should be closed into Income Account at the close of the year or other fiscal period.

Revenue Defined.

By revenues, as the word is herein used, are meant all money which the utility received or becomes lawfully enti-

tled to recover for services rendered, for products sold, as gross profits on merchandise sold, or as a return upon its property (or interest in property). Revenues are classified as *Operating Revenues* and *Non-Operating Revenues*.

Operating Revenues Defined.

Operating Revenues are those derived from the sale of products and merchandise, from services rendered, and from return on property used by the utility in its own operations.

300. OPERATING REVENUES.

Include in this account the total operating revenues of the utility for the period covered by the Income Statement. (See Accounts Nos. 500 to 575 inclusive.)

I. EXCHANGE SERVICE REVENUES.

500. *Business Telephone Rentals* (Including Extensions)

This account should include all revenues from business subscribers for exchange service (other than country lines) whether the charge is based upon a flat rate or measured rate. Include in this account, also, charges made for the insertion of extra names in directory and for use of extra exchange mileage in circuits to business subscribers' stations, installation and cancellation charges, and any commissions on telegraph tolls received in lieu of rent for exchange lines.

501. *Resident Telephone Rentals* (Including Extensions)

This account should include all revenues from residence subscribers for exchange service (other than country lines) whether the charge is based upon a flat rate or measured rate. Include in this account, also, charges made for the insertion of extra names in directory and for use of exchange mileage in circuits to residences subscribers' stations, installation and cancellation charges,

and any commissions on telegraph tolls received in lieu of rent for exchange lines.

502. *Private Board Exchange, Telephone Rentals.*

This account should include switching charges and other revenues derived from stations, the lines and equipment for which are owned wholly or in part by others, but to which the accounting company furnishes exchange service.

503. *Private Lines, Telephone Rentals.*

This account should include all revenues derived from telephone lines, equipment, and instruments forming part of the company's exchange plant and leased to others for use as private lines and without exchange connections with other subscribers.

504. *Country Lines, Telephone Rentals.*

This account should include all revenues from subscribers for exchange service over country lines (other than country lines—special) whether the charge is based upon a flat rate or measured rate. Include in this account, also, charges made for insertion of extra names in directory and for use of extra exchange mileage in circuits to other subscribers' stations, installation and cancellation charges, and any commissions on telegraph tolls received in lieu of rent for exchange lines.

505. *Country Lines—Telephone Rentals—Special.*

This account should include all revenues from subscribers for exchange service over country lines of a special nature, whether the charge is based upon a flat rate or measured rate. Include in this account, also, charges made for insertion of extra names in directory and for use of extra exchange mileage in circuits to other subscribers' stations, installation and cancellation charges, and any commissions on telegraph tolls received in lieu of rent for exchange lines.

II. *TOLL SERVICE REVENUES.*

510. *Toll, Incoming.*

511. *Toll, Outgoing.*

III. *MISCELLANEOUS OPERATING EXPENSES.*

515. *Time Clock Service.*

This account should include all revenues from subscribers for the time clock service.

303. *UNCOLLECTIBLE OPERATING REVENUES.*

This account should include the amount of any account for telephone and other services which, after a reasonably diligent effort to collect, has proved impracticable of collection. This account includes only uncollectible bills for amounts which have been treated as operating revenues; other uncollectible bills should be charged to Account No. 330, "Uncollectible Non-Operating Revenues," or to Corporate Surplus or Deficit account, as may be appropriate.

This account may include monthly charges, based upon estimates, to create a reserve for uncollectible bills, provided such reserve is adjusted annually in accordance with the experience of the accounting company. Such amounts should be credited to a sub-account under account No. 185, "Reserve for Bad Debts," to which should be charged bills that have proved impracticable of collection.

Operating Expenses Defined.

Repairs Defined.

Repairs, as used in the text of the various operating expense accounts, includes ordinary and extraordinary repairs.

Ordinary Repairs Include:

(a) Testing for, locating and clearing crosses, breaks, grounds, and other line troubles, including routine work

intended to prevent such troubles, as for example, pulling up slack, tightening guys and resetting guy stubs, trimming trees, straightening poles and cross arms, and cleaning and adjusting apparatus;

(b) Replacements of minor or short-lived parts of structures, equipments, or facilities;

(c) Replacements of minor parts of wire plant or equipment made necessary by reason of faulty adjustments, excessive strains, mechanical injuries, or other minor casualties, not provided against in the charge for depreciation of plant and equipment;

(d) Rearrangements and changes in location of plant, except subscribers' station equipment (for which a special account is provided). This includes rearrangement of circuits, reassociation of party lines, rearranging grouping of trunks and calling circuits, recross connecting on distributing frames, rerunning jumper wires, underlining switchboard jacks, etc., together with materials used for such purposes which do not add to the tangible value of such plant;

(e) Recovering salvage and removing retired or abandoned property; (except subscribers' station equipment) when such costs are not provided for by the depreciation reserve.

Ordinary Repairs are not required to be taken into account in fixing a rate of depreciation.

Extraordinary Repairs Include:

(a) Restoring to an efficient or proper condition buildings, structures, or other units of property which have deteriorated.

(b) Substituting, in order to maintain normal efficiency, new parts for old parts of continuous structures, such as pole lines, cables, wires, conduits, etc., where such substitutions do not amount to a practical replacement of any considerable length of such continuous structures;

(c) Restoring the condition of the property damaged by storms, floods, fire or other casualties;

(d) Recovering salvage and removing retired or abandoned property in connection with the above work.

Extraordinary Repairs shall be provided for by adequate charges to depreciation.

When it is necessary substantially to reconstruct or to replace a major portion of any unit of property or any important section of a continuous structure, the cost should be handled through the capital accounts; that is, the cost of the property removed or replaced should be credited to the appropriate fixed capital accounts and the new property should be charged thereto.

All repairs, whether ordinary or extraordinary, should be charged to the appropriate primary operating expense accounts.

Cost of Repairs.

The cost of repairs, as used in the text of the various operating accounts, should be understood to include the wages, salaries and fees paid employees directly engaged in the work of repairs, personal expenses of such employees when borne by the company, and the cost of materials and supplies consumed and the expenses of facilities employed in making the repairs less the value of salvage recovered. It includes also the cost of direct supervision, such as foremen or superintendents of repair gangs.

Depreciation of Plant and Equipment.

Telephone companies should include in operating expenses depreciation charges for the purpose of creating proper and adequate reserves to cover the expenses of depreciation currently accruing in the tangible fixed capital. By *expenses of depreciation* is meant:

(a) The losses suffered through the current lessening in value of tangible property from wear and tear (not covered by current repairs).

(b) Obsolescence or inadequacy resulting from age, physical change, or supersession by reason of new inventions and discoveries, changes in popular demand, or public requirements, and

(c) Losses suffered through destruction of property by extraordinary casualties.

The amount charged as expense of depreciation should be based upon rules determined by the accounting company. Such rules may be derived from a consideration of the company's history and experience. Companies should be prepared to furnish the Public Utilities Commission of Hawaii, upon demand, the rules and a sworn statement of the facts, expert opinions, and estimates upon which they are based.

The estimate for depreciation of physical property should take into account:

(a) The gradual deterioration and ultimate retirement of units of property which may be satisfactorily individualized, such as buildings, machines, valuable instruments, etc., to the end that by the time such units of property go out of service there shall have been accumulated a reserve equal to the original money cost of such property, plus expenses incident to retirement less the value of salvage.

(b) The depreciation accruing in property which cannot be readily individualized, such as pole lines, wires, cables, or other continuous structures, where expenditures for repairs or replacements of individual parts ordinarily are not actually made until the later years of the life in service of such property, and when made may, therefore, be classed as extraordinary repairs.

The rate of depreciation should be fixed so as to distribute, as nearly as may be, evenly throughout the life of the depreciating property the burden of repairs and the cost of capital consumed in operations during a given month or year, and should be based upon the average life of the units comprised in the respective classes of property.

The amount estimated to cover the expense of depreciation of fixed capital should be charged monthly to Account No. 630, "Depreciation of Plant and Equipment," and concurrently credited to Balance Sheet Account No. 182, "Depreciation Reserve."

If this is not done the expense of replacing must be charged in bulk to Operating Expenses when the property is replaced, which would cause the company to show low operating expense in years when no reconstruction takes place and high operating expense when reconstruction is performed. By providing depreciation charges the operating expense accounts will show a record of expenses from year to year more in harmony with true conditions.

301. OPERATING EXPENSES.

I. MAINTENANCE EXPENSE.

600. *Repairs to Equipment.*

Charge to this account the cost of repairs of central office equipment and station equipment, whether in the central office operating rooms and terminal room or on subscribers' premises, such as switchboards, main and intermediate frames, relay and coil racks, interior wires and cables, power apparatus, telephone sets, private branch exchanges, and boots and fixtures; also furniture and fixtures in central operating and terminal rooms.

610. *Repairs to Wire Plant.*

Charge to this account the repairs of all exchange wire plant and toll wire plant, such as poles, conduits, man-holes, wires, cables and fixtures.

620. *Station Removals and Changes.*

Charge to this account the cost of removing or changing the location of station equipment.

When stations are removed (not merely changed in location) the original cost of the instruments and the cost of installation (estimated, if not known) shall be credited to Account No. 212, "Switchboard Equipment"; the value of the instruments and other material recovered shall be charged to Account No. 253, "Materials and Sup-

plies"; and the cost of removing, the original installation cost, and the loss of material, such as the cost of interior wire not recovered, shall be charged to this account.

When stations are changed from one location to another, charge this account with the cost of moving. Credit this account with amounts charged to subscribers for moves and changes.

630. *Depreciation of Plant and Equipment.*

Charge to this account monthly the estimated amount of depreciation accruing in the plant and equipment.

640. *Other Maintenance Expenses.*

Charge to this account the cost of repairs to land, buildings and fixtures, automobiles, wagons, tools and implements, and office furniture and fixtures; also other maintenance expense not provided for in the repair accounts.

II. *TRAFFIC EXPENSES.*

650. *Operators' Wages.*

Charge to this account the pay of local and toll switchboard operators, information operators, and all other operators employed in the central office and branch exchanges.

660. *Other Traffic Expenses.*

Charge to this account the cost of power purchased, cost of labor and supplies in operating power plant, cost of removing batteries, pay and expense of messengers, and other expenses in connection with the operations of central office and branch exchanges.

III. *GENERAL AND MISCELLANEOUS EXPENSES.*

670. *General Office Salaries.*

Charge to this account the salaries of general officers of the company and the salaries of other officers and em-

ployees whose salaries are not chargeable to any of the preceding expense accounts.

690. *Other General Expenses.*

Charge to this account all general expenses other than general office salaries.

This account shall include the cost of:

Office Supplies and Expenses.

Stationery and printing (including postage).

Travelling and incidental expenses of general officers and employees of general office.

Advertising.

Preparing, printing and distributing Directories.

Insurance.

Law Expenses.

Accidents and Damages.

Donations.

Directors' Fees.

Other General Expenses.

302. TAXES ASSIGNABLE TO OPERATIONS.

This account shall include Federal, State, County, Municipal and other taxes relating to telephone property, operations, and privileges for the period for which the Income Account is stated.

310. NON-OPERATING REVENUES.

311. *Miscellaneous Rent Revenue.*

Credit to this account the revenues accruing to the corporation as a return upon rented property, other than telephone plant and equipment, held by others under lease.

312. *Interest and Dividend Revenues.*

Credit to this account monthly all revenues accruing to the utility, not retained in the specific sinking or other reserve funds; from interest upon all its bank balances;

special deposits and other deposits; and other assets, when such interest is a liability of solvent concerns or individuals; and from dividends declared or guaranteed by solvent concerns upon stocks held by the utility. No interest or dividends upon securities issued or assumed by the accounting company shall be credited to this account or to any other reserve account.

313. *Sinking and Other Reserve Accretions.*

Credit to this account and charge to the appropriate fund or its trustee monthly the revenues accruing from securities and other assets in the hands of trustees or specifically set aside for sinking and other special funds, when the revenues are retained as part of the funds. Such revenues may include appropriations equal to interest upon securities issued or assumed by the accounting company where such securities are acquired through the operation of a sinking or other reserve fund.*

314. *Miscellaneous Non-Operating Revenues.*

Credit to this account all non-operating revenues not provided for in the foregoing accounts.

320. NON-OPERATING REVENUE DEDUCTIONS.

321. *Rent Expenses.*

Charge to this account all expenses arising in connection with the procuring of revenues from rented property, such as the negotiating of contracts, advertising for tenants, fees paid conveyancers, etc. This includes the expense accruing while the property is idle and awaiting an occupant; also the cost of maintenance of property when such cost is borne by the utility. Such maintenance includes

*NOTE.—If the assets of a fund are to be represented by a reserve from surplus, concurrent entries should be made charging Account No. 420, "Appropriations to Reserves" (see Corporate Surplus), crediting the appropriate reserve account, Nos. 181 to 185.

depreciation as well as reparable wear and tear. It does not include taxes.

322. *Interest Expense.*

Charge to this account all expenses in procuring interest upon investments, such as expense of collection, etc. It does not include taxes on such investments.

323. *Dividend Expense.*

Charge to this account all expense in collection of dividends on stocks of other corporations. It does not include taxes on such investments.

324. *Non-Operating Taxes.*

Charge to this account all taxes payable by the utility accrued from non-operating property, and all taxes assignable to non-operating revenues.

325. *Miscellaneous Non-Operating Expense.*

Charge to this account all non-operating expense not provided for in the foregoing accounts.

**330. UNCOLLECTIBLE NON-OPERATING
REVENUES.**

When any non-operating revenues are judged by the utility to be uncollectible, the amount thereof shall be credited to the account in which theretofore charged and charged to this account.

DEDUCTIONS.

340. INTEREST ACCRUED ON FUNDED DEBT.

This account should include all interest accrued on outstanding funded debt issued or assumed by the accounting company. This account does not include interest on se-

curity held by the utility in its treasury in sinking or reserve fund or pledged as collateral.

350. OTHER INTEREST DEDUCTIONS.

This account should include all interest on unfunded debt, such as short term notes payable on demand, or having date of maturity one year or less from the date of issue, on open accounts and other analogous items, including discounts on short term notes; also interest accruing on funded debt security after the maturity of debt.

360. RENT DEDUCTIONS.

Charge to this account monthly all amounts accrued against the utility for rents.

CORPORATE SURPLUS ACCOUNT.

This account or summary is the connecting link between the Income Account and the Balance Sheet. It summarizes the changes in the Corporate Surplus or Deficit during a given fiscal period resulting from the business transactions during that period as well as those affected by any disposition of net profits made solely at the option of the company, by accounting adjustments not properly attributable to the period, or by miscellaneous losses or gains not provided for elsewhere.

400. BALANCE.

To this account should be carried the net balance of the accounts forming the Income Account, and in it should

*NOTE.—If any of the funded debt securities issued or assumed by the utility are held in a sinking or other reserve fund, and the interest on such funded debt is an accretion to the fund, the interest on such securities should not be charged to this account, but an amount equal to the interest on the funded debt so held should be charged to Account No. 420, "Appropriations to Reserve" (see Corporate Surplus).

be summarized all optional appropriations (including dividends); miscellaneous adjustments due to errors in accounting in prior fiscal periods; profits from the sale of securities or other property; losses upon property sold or otherwise retired and not covered by reserves, and unusual losses and gains of a like nature. For these matters the following accounts are provided; their net balance added to the net balance from the Income Account should show the net surplus or deficit on the date of the Balance Sheet.

401. MISCELLANEOUS ADDITIONS TO SURPLUS.

Credit to this account all additions to surplus due to erroneous accounting in previous fiscal periods, bad debts collected after being written off, profits arising from the sale of securities or other property, etc.

410. DIVIDENDS DECLARED ON OUTSTANDING STOCK.

When any dividend is declared upon any outstanding stock of the company, the amount of such dividend shall thereupon be charged to this account. All entries to this account shall show the amount of stock upon which the dividend is declared; the amount of the dividend; and the character of the stock. If the dividend is payable in anything other than money, such thing shall be described in the entry with sufficient particularity to identify it, and the actual money value thereof shall be stated as the amount of the dividend.

When any dividend is declared upon the stock of the company owned by or held in behalf of the company, the amount of such dividend thereon shall be credited to this account. Entries of credits to this account shall be made with the same degree of particularity as is prescribed in the preceding paragraph.

420. APPROPRIATIONS TO RESERVE.*

Charge to this account all appropriations to sinking fund and accretions to such funds on account of income from previous investments. Such appropriations should include:

- (1) Direct payments;
- (2) Sums equal to the interest or dividends on securities issued by or assumed by the company and held in sinking funds.
- (3) Income from investments of sinking funds other than securities issued or assumed;
- (4) Income from cash or special deposits held by Trustee of sinking funds.

Charge to this account all deductions from surplus such as the following:

Donations.

Fines levied on the company.

All other deductions from surplus not provided for elsewhere.

*NOTE.—A complete analysis of this account will be required in Annual Reports of companies to the Public Utilities Commission of Hawaii.

.....TELEPHONE COMPANY
 COMPARATIVE CORPORATE SURPLUS ACCOUNT

CREDITS		
	December 31, 191—.	December 31, 191—.
400 Balance	\$.....	\$.....
401 Miscellaneous Additions to Surplus.....
	<u>\$.....</u>	<u>\$.....</u>
DEBITS		
410 Dividends Declared on Outstanding Stock—		
(a) On Preferred Stock.....	\$.....	\$.....
(b) On Common Stock.....
	<u>\$.....</u>	<u>\$.....</u>
420 Appropriations to Reserves.....
430 Miscellaneous Deductions from Surplus....
	<u>.....</u>	<u>.....</u>
Balance	\$.....	\$.....

TELEPHONE COMPANY

COMPARATIVE INCOME ACCOUNT

	December 31, 191—	December 31, 191—
300 Operating Revenues—		
I. Exchange Service Revenues	\$.....	
II. Toll Service Revenues	
III. Miscellaneous Operating Revenues.....	
301 Operating Expenses—		
I. Maintenance Expenses.....	\$.....	
II. Traffic Expenses	
III. General and Miscellaneous Expenses	
302 Taxes Assignable to Operating	
303 Uncollectible Operating Revenues.....	
Net Operating Revenue.....	\$.....	\$.....
310 Non-Operating Revenues—		
311 Miscellaneous Rent Revenues.....	\$.....	
312 Interest and Dividend Revenues.....	
313 Sinking and Other Reserve Accretions	
314 Miscellaneous Non-Operating Revenues.....	
320 Non-Operating Deductions—		
321 Rent Expenses.....	\$.....	
322 Interest Expense.....	
323 Dividend Expense.....	
324 Non-Operating Taxes.....	
325 Miscellaneous Non-Operating Expense.....	
330 Uncollectible Non-Operating Revenues.....	
Income Applicable to Corporate and Other Properties	\$.....	\$.....
DEDUCTIONS		
340 Interest Accrued on Funded Debt.....	
350 Other Interest Deductions.....	
360 Rent Deductions.....	
Net Corporate Income Transferred to Credit of Corporate Surplus.....	\$.....	\$.....

Telephone Company
COMPARATIVE BALANCE SHEET

ASSETS.	1916.	1917.	Decrease	LIABILITIES.	1916.	1917.	Decrease
	Dec. 31,	Dec. 31,	(Black). Increase (Red).		Dec. 31,	Dec. 31,	(Black). Increase (Red).
100 Fixed Capital				150 Capital Stock			
200 Intangible Capital				155 Funded Debt			
201 Franchises and Agreements.....				160 Current Liabilities			
210 Tangible Capital				161 Notes and Bills Payable.....			
211 Land and Buildings Devoted to Telephone Operations				162 Accounts Payable			
212 Switchboard Equipment				163 Service Billed in Advertising.....			
213 Conduit, Cable and Overhead System.....				170 Accrued Liabilities			
214 Country Plant, including Switchboards.....				171 Wages Accrued			
215 Time Clock and Stamp Systems.....				172 Coin Box and Other Deposits			
216 Furniture and Fixtures				173 Other Credit Accounts			
217 General Shop Equipment.....				180 Reserve Accounts			
218 General Stable and Garage Equipment.....				181 Amortization Reserve			
219 Tools and Equipment.....				182 Depreciation Reserve			
230 Treasury Securities				183 Casualty and Insurance Reserves			
240 Reserve Sinking and Special Fund Assets.....				184 Provident Fund			
241 Sinking Fund for Amortization of Intangible Capital.....				185 Reserve for Bad Debts.....			
242 Sinking Fund for Accrued Depreciation.....							
243 Casualty and Insurance Sinking Fund.....							
244 Provident Sinking Fund.....							
245 Sinking Fund for Bad Debts.....							
250 Current Assets							
251 Cash on Hand.....							
252 On Deposit							
253 Materials and Supplies.....							
254 Notes and Bills Receivable							
255 Miscellaneous Accounts Receivable.....							
256 Interest, Insurance and Rentals Receivable.....							
257 Other Current Assets							
260 Construction Work in Progress							
270 Corporate Deficit				190 Corporate Surplus			

TERRITORY OF HAWAII, }
CITY AND COUNTY OF... } ss.

I, of the above named Company, do solemnly swear that the above statement is true to the best of my knowledge and belief.

Subscribed and sworn to before me this

..... day of, A. D., 1917.

Notary Public,
Judicial Circuit, Territory of Hawaii.